<u>EXHIBIT B</u>

Financial Projections

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FINANCIAL PROJECTIONS

As discussed in Article VI.B of the Disclosure Statement, the Debtors' management prepared financial projections for calendar years 2011 through 2015 (the "**Financial Projections**") to support the feasibility of the *Debtors' First Amended Plans of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* (the "**Plan**").[1]

1. Overview of Financial Projections

As a condition to Confirmation of the Plan, the Bankruptcy Code requires, among other things, the Bankruptcy Court to find that Confirmation is not likely to be followed by either a liquidation or the need to further reorganize the Debtors. In connection with developing the Plan and for purposes of determining whether the Plan satisfies feasibility standards, the Debtors' management has, through the development of the Financial Projections, analyzed the Debtors' ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their business in the ordinary course upon emergence from chapter 11.

The Financial Projections will also assist each Holder of a Claim or Interest in determining whether to accept or reject the Plan. The Debtors prepared the Financial Projections in good faith, based upon estimates and assumptions made by the Debtors' management. The estimates and assumptions in the Financial Projections, while considered reasonable by management, may not be realized, and are inherently subject to uncertainties and contingencies. They are also based on factors such as industry performance, general business, economic, competitive, market, and financial conditions, all of which are difficult to predict and generally beyond the Debtors' control. Because future events and circumstances may well differ from those assumed and unanticipated events or circumstances may occur, the Debtors expect that actual and projected results will differ and that actual results may be materially greater or less than those contained in the Financial Projections herein. The Debtors make no representations as to the accuracy of the Financial Projections, Cerberus' and Chatham's ability to achieve the projected results, or Chatham LP's ability to achieve the projected results. Therefore, the Financial Projections may not be relied upon as a guarantee or as any other form of assurance as to the actual results that will occur. The inclusion of the Financial Projections herein should not be regarded as an indication that the Debtors considered or consider the Financial Projections to reliably predict future performance. The Financial Projections are subjective in many respects, and thus are susceptible to multiple interpretations and periodic revisions based on ongoing and future developments. The Debtors do not intend to update or otherwise revise the Financial Projections to reflect the occurrence of future events, even in the event that assumptions underlying the Financial Projections are not borne out. For the foregoing reasons, the Financial Projections should be read in conjunction with the assumptions and qualifications set forth herein.

In general, as illustrated by the Financial Projections, the Debtors believe that, with a significantly deleveraged capital structure following Consummation of the Plan, the Debtors' business will be a viable business with long-term prospects. The Debtors believe that Cerberus, Chatham, and Chatham LP (collectively, the "**Purchasers**") will have sufficient liquidity to fund obligations as they arise, thereby maintaining the value of their hotel business. Accordingly, the Debtors believe the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code.

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[1] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

THE FINANCIAL PROJECTIONS ARE BASED UPON A NUMBER OF SIGNIFICANT ASSUMPTIONS. ACTUAL OPERATING RESULTS AND VALUES MAY VARY SIGNIFICANTLY FROM THESE FINANCIAL PROJECTIONS. THE DEBTORS' INDEPENDENT AUDITOR HAS NOT COMPILED OR EXAMINED THE FINANCIAL PROJECTIONS TO DETERMINE THE REASONABLENESS THEREOF AND, ACCORDINGLY, HAS NOT EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO. NEITHER THE DEBTORS NOR THE PURCHASERS INTEND TO, AND EACH DISCLAIMS ANY OBLIGATION TO: (A) FURNISH UPDATED FINANCIAL PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS PRIOR TO THE EFFECTIVE DATE OR TO ANY OTHER PARTY AFTER THE EFFECTIVE DATE; (B) INCLUDE ANY SUCH UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION; OR (C) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE.

The Financial Projections assume that the Plan will be consummated in accordance with its terms and that all transactions contemplated thereby will be consummated by the Effective Date. Any significant delay in the Effective Date may have a material adverse impact on the Debtors' business operations and financial performance, including, among other things, an increased risk of inability to meet revenue forecasts and the incurrence of higher restructuring expenses.

Although the Financial Projections represent the Debtors' best estimates and good faith judgment (for which the Debtors believe they have a reasonable basis) of the results of future operations, financial position, and cash flows of the Purchasers, they are only estimates, and actual results may vary considerably from such Financial Projections. Consequently, the inclusion of the Financial Projections herein should not be regarded as a representation by the Debtors, the Debtors' advisors, or any other person that the projected results of operations, financial position, and cash flows of the Debtors will be achieved. The Debtors do not intend to update or otherwise revise the Financial Projections to reflect circumstances that may occur after their preparation, or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Additional information relating to the principal assumptions used in preparing the Financial Projections is set forth below.

2. General Assumptions and Methodology

The Financial Projections consist of the selected income statement items and selected balance and cash flow items as of December 31 for each year for calendar years 2011 through 2015. The Debtors' Financial Projections set forth the projected consolidated financial position immediately after Consummation of the Plan. The projected consolidated statements of financial position were developed based upon the Debtors' balance sheet projections. The Financial Projections do not reflect the impact of "fresh start" accounting, which could result in a material change to the projected values of assets and liabilities. The Financial Projections are based on financial data derived from the Debtors' business planning process. The business planning process is undertaken annually by the Debtors to provide sales and cost projections which assist the Debtors in managing their working capital needs, planning for anticipated capital expenditures, and developing their capital structure.

The Financial Projections, among other things: (a) are based upon current and projected market conditions; (b) assume emergence from chapter 11 on the Effective Date under the terms expected in the Plan; (c) assume consummation of the sale of the Fixed/Floating Hotels to Cerberus/Chatham pursuant to the Cerberus/Chatham Successful Bid, valued at approximately $1.12 billion on the Effective Date; and (d) assume consummation of the sale of the LNR Hotels to Chatham LP pursuant to the Chatham Bid, valued at approximately $195 million, on the Effective Date.

- *Assumptions*

- General Methodology: The Financial Projections were developed on a property-by-property, bottom-up basis and reflect a synthesis of numerous information sources, including general business and economic conditions as well as industry and competitive trends. After completion of this property-by-property buildup, the individual property financials were aggregated to form the consolidated financials.

- Revenue: Includes Room Revenue, Food & Beverage Revenue, Telephone Revenue, and Other Revenues. Each of these revenues was derived as follows:

    - Room Revenue: Driven by Average Daily Rate ("**ADR**") and occupancy. Management developed assumptions for each of the properties' ADR and occupancy based on historical performance, regional economic and industry trends, the competitive landscape, the customer base, and other external sources. Furthermore, management tailored each hotel's revenue forecast to operating and investment requirements, such as the timing of property improvement plan investments and cycle renovations.

    - Food & Beverage Revenue: Generated by the hotel's restaurants, lounges, banquets rooms, and room service. This revenue is highly correlated with changes in occupancy.

    - Telephone Revenue: Generated by hotel guests who charge local and long distance calls to their rooms, and by individuals who use the public telephones at the hotels. With the continued proliferation of cell phones and other wireless communications media, telephone revenue levels are not expected to increase.

    - Other Revenue: Derived from sources other than guestrooms and telephone services. The composition of this revenue varies greatly by hotel, and typically grows proportionately with Room Revenue growth.

- Department Expenses: Includes Rooms Expense, Food & Beverage Expense, Telephone Expense, and Other Department Expense. Each of these expenses was forecasted as follows:

    - Rooms Expense: Consists of the costs related to the sale and upkeep of guestrooms and public space, with the largest component consisting of salaries, wages, and employee benefits.

    - Food & Beverage Expense: Consists of costs necessary for the primary operation of the hotel's food and banquet facilities.

    - Telephone Expense: Generally varies depending on the size of the hotel. For small and mid-sized hotels with automated systems, the operation of the telephones is typically the responsibility of the front desk personnel. At large hotels, generally full-time operators are employed. The bulk of the telephone expenses consist of the cost of local and long distance calls billed by the telephone companies that provide these services.

- Other Department Expense: Consists of the costs associated with Other Revenue, and is dependent on the nature of the revenue.

- Operating Expenses: Consists of General & Administrative Expense, Sales & Marketing Expense, Repairs & Maintenance Expense, Utilities Expense, Insurance Expense, and Base Management Fees. Each of these expenses was forecasted as follows:

  - General & Administrative Expense: Includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expenses related to management and operation of the property are also allocated to this category. Most General & Administrative Expenses tend to be fixed.

  - Sales & Marketing Expense: Consists of all costs associated with advertising, sales and promotion, and franchise fees. Franchise fees are approximately 10% of revenue, but vary based on each hotel's franchise agreement.

  - Repairs & Maintenance Expense: Tends to be a variable expense. Except for repairs that are necessary to keep the facility open and prevent damage, most maintenance can be deferred for varying lengths of time.

  - Utilities Expense: Consists of utilities consumption of several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel, oil, and steam. This category also includes the cost of water service. Total energy cost depends on the source and quantity of fuel used.

  - Insurance Expense: Consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from firehouse, and the area's fire experience. Insurance expenses generally do not vary with occupancy.

  - Base Management Fees: Structured as a combination of a base fee calculated as a percentage of total revenues and an incentive fee calculated as a percentage of gross operating income or net operating income. The management fee for Innkeepers was projected at 2% of revenue for a majority of the portfolio properties, based on current management agreements with Island Hospitality Management and Dimension Development Company.

- Other Expenses: Generally consists of Property Taxes, Property Insurance, and Ground Rent. Each of these expenses was forecasted as follows:

  - Property Taxes: These expenses are specific to each hotel's municipality and its assessment system. Depending on the taxing policy of the municipality, property taxes can be based on the value of the real property or the value of the personal property and the real property.

- Property Insurance: Relates to property insurance on the hotels. This expense is fixed in nature.

- Ground Rent: Includes ground lease expenses for the following properties: Courtyard by Marriott in Ft. Lauderdale, and Hampton Inn in Woburn, Massachusetts.

- Corporate Expenses: Consists of Corporate General & Administrative Expenses, Insurance Expense, Professional Fees, IT Costs, and Board of Trustee Fees and Expenses.

  - Corporate General & Administrative Expenses: Includes expenses directly attributable to the parent entity, Innkeepers USA Trust. These expenses are generally fixed in natue and are not attributable to any individual hotel or group of hotels. The largest component of these expenses are corporate employee costs.

  - Insurance Expense: The largest component related to directors' and officers' liability insurance.

  - Professional Fees: Consists of fees associated with, among other things, the company's auditors, tax professionals, utility administrator, etc.

  - IT Costs: Amounts allocated to the Debtors by its property manager for the maintenance of its information technology systems and needs, including, among other things, the company's accounting system.

- Board of Trustee Fee and Expenses: Includes fees paid to members of the board of trustees of Innkeepers USA Trust and their related expenses to attend board meetings.

Consolidated Income Statement	2010A	2011B	2012E	2013E	2014E	2015E
Revenue	**$293**	**$303**	**$326**	**$345**	**$356**	**$361**
Growth	*4.9%*	*3.3%*	*7.7%*	*5.8%*	*3.1%*	*1.4%*
Department Expenses	75	76	79	83	85	87
Gross Operating Income	**$218**	**$227**	**$247**	**$262**	**$271**	**$274**
Margin	*74.5%*	*75.1%*	*75.7%*	*76.0%*	*76.1%*	*76.0%*
Operating Expenses	99	102	106	110	114	116
House Profit	**$119**	**$125**	**$140**	**$152**	**$157**	**$158**
Margin	*34.1%*	*35.0%*	*36.9%*	*38.4%*	*39.0%*	*38.6%*
Other Expenses	19	19	20	20	18	19
Hotel EBITDA	**$100**	**$106**	**$120**	**$132**	**$139**	**$139**
Growth	*4.7%*	*6.1%*	*13.6%*	*9.8%*	*4.8%*	*0.3%*
Margin	*34.1%*	*35.0%*	*36.9%*	*38.4%*	*39.0%*	*38.6%*
Corporate Expenses	9	10	10	11	11	11
Corporate EBITDA	**$91**	**$96**	**$110**	**$122**	**$128**	**$128**

Notes:

(1) Actual 2010 results reflect draft unaudited results, and are subject to adjustment pursuant to the company’s annual review process.

(2) Actual results and Projections reflect the removal of the Hilton Ontario, Hilton Anaheim Suites, and the Best Western West Palm Beach.

(3) Excludes Restructuring Expenses.

(4) Reflects the expected displacement associated with PIPs and cycle renovations.

(5) Considers the expected impacts associated with de-flagged hotels, and subsequent re-flagging.